

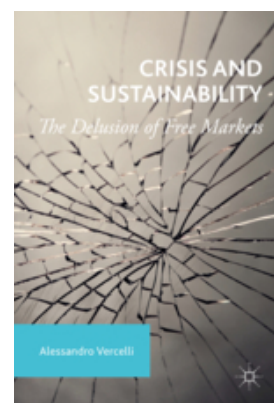
# Book Review: Crisis and Sustainability: The Delusion of Free Markets by Alessandro Vercelli

*In Crisis and Sustainability: The Delusion of Free Markets, Alessandro Vercelli argues that the concepts of freedom which underpin neoliberal economics are at odds with those required for a sustainable future. The book offers a thorough overview of neoliberal economic history but, in paying only scant attention to the politics of sustainability, Chris Shaw finds this something of a missed opportunity for advancing our understanding of the already well-researched relationship between economic growth and environmental degradation.*

***Crisis and Sustainability: The Delusion of Free Markets. Alessandro Vercelli. Palgrave. 2017.***

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In *Crisis and Sustainability: The Delusion of Free Markets*, Alessandro Vercelli provides two definitions of freedom. “Negative freedom”, describing an agent’s *freedom from* specific constraints imposed on his (sic) potential or actual actions, and “positive freedom”, defined as *freedom to* act for realisation of the agent’s goals’ (33, emphasis in original). Negative freedom, imagined as freedom from interference by the state, is the political philosophy which underpins the neoliberal economic agenda. The author argues that neoliberals have falsely maintained that the negative and positive forms of freedom are mutually exclusive, whereas in fact they are two ‘complementary aspects of liberty, not irreconcilable conceptions of it’ (34).



To support the desired shift of economic power from the state to private firms, since the late 1970s neoliberal exponents – backed by the media and political parties – have promoted market efficiency over state inefficiency (51). The neoliberal paradigm has had a number of negative consequences for the sustainability agenda: corporate power is undermining the democratic health of Western societies whilst globalisation and financialisation have given private firms the freedom to relocate to those countries with the weakest environmental regulations. In addition, neoliberal economics has favoured ineffectual market-led responses to environmental problems, as exemplified by the EU Emissions Trading Scheme (EU ETS). Vercelli argues that the solution is for the state to have a greater degree of control over the economy, and to direct economic activity towards the building of a financially, socially and environmentally sustainable future: ‘we cannot dream of being able to converge towards a sustainable development trajectory without abandoning the neoliberal point of view and its policy strategy’ (264).

*Crisis and Sustainability* has nine chapters and two extensive appendices. Only one of these chapters, Chapter Seven on ‘Environment and Sustainability’, is given over to discussions of environmental sustainability. Environmental sustainability is not entirely absent from other chapters, but it is an aside to the main themes that the chapters address.



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Part One, 'Globalisation and Financialisation in a Long-Run Perspective', offers definitions of freedom, neoliberalism, globalisation and financialisation. These are combined with a historical analysis describing the overturning of the Keynesian economic paradigm by neoliberalism in the 1970s. Part Two, 'The Great Recession: Causes and Consequences', examines the neoliberal trajectory from the late 1970s up until 'The Great Recession' that began in 2008. The epilogue is comprised of two chapters, the longer of which is given over to discussion of the Euro crisis before finishing with concluding remarks.

Vercelli shows that the idea of negative freedom enshrined in the idea of the 'free market' emerged as a response to monopoly sovereign control of the economy according to mercantilist principles (34). This initial period of classic liberalism began in earnest in seventeenth-century England and was given theoretical confirmation by Adam Smith in *The Wealth of Nations*. Vercelli argues that the perfect market conditions under which Smith's famous 'invisible hand' operates do not exist (40). Markets are not perfectly competitive. Neoliberalism is the idea that the answer to this failure is to further liberalise the conditions under which markets operate. The author notes that liberalism, like freedom, remains a contested term, but that all definitions are predicated on the assumption that freedom is good and any limit on freedom must be thoroughly justified (40).

Following the 'Great Depression' of the 1930s, there emerged a consensus that laissez-faire economic policies justified by a negative concept of freedom were creating evil in the world, and a positive definition of freedom with the state intervening to ensure markets were a force for good came to dominate economic policy until the 1970s. Chapter Seven opens with the observation that since the late 1970s we have seen a concurrent (but counterintuitive) surge in both neoliberal policies and environmental policies. The neoliberal view is that environmental policies distort the markets and what is lacking is proper pricing and creation of property rights for the environment (185). Tradeable permits are, for many economists, therefore the appropriate means of addressing any environmental damage done by the market economy. However, argues Vercelli, the failures of the EU ETS can in large part be attributed to the power of corporations to define the price set for the permits. The purpose of the scheme was to drive the development and uptake of eco-innovations, but the carbon price was set at too low a level to make it worthwhile for firms to invest in less polluting technologies, it being cheaper to simply buy permits to pollute (191-92). Hence, there is little evidence to show market-based mechanisms are an effective means of addressing environmental problems.

So what is to be done? Affirming his belief that 'substantive democracy, self-determination and positive liberty are supreme, non-negotiable values' (264), Vercelli leaves the reader guessing how the transformation to a sustainable economics is to be brought about and maintained. I lack a deep enough knowledge of economics to be able to judge the accuracy of this particular account of neoliberal history compared to others that have been published in the last ten years. What I can say is that writers have been lamenting the negative impact of human activity on nature for hundreds of years. At the current point of crisis we are entitled to expect more than a 300-page rehashing of old ideas and a plaintive wish for the unfolding of a liberal reformist utopia.

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*Note: This review gives the views of the author, and not the position of the LSE Review of Books blog, or of the London School of Economics.*